

VILLAGE OF DAGGETT
REPORT ON FINANCIAL STATEMENTS AND
OTHER FINANCIAL INFORMATION
YEAR ENDED MARCH 31, 2005

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF DAGGETT	County MENOMINEE
Audit Date MARCH 31, 2005	Opinion Date MAY 19, 2005	Date Accountant Report Submitted to State: MAY 19, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

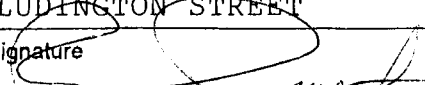
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU):			X

Certified Public Accountant (Firm Name) RAY PAYMENT, CPA			
Street Address 1217 LUDINGTON STREET	City ESCANABA	State MI	ZIP 49829
Accountant Signature 			

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May 19, 2005

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INDEPENDENT AUDITOR'S REPORT

Honorable Village Board
Village of Daggett
Daggett, Michigan

I have audited the accompanying general purpose financial statements of the Village of Daggett, Michigan as of and for the year ended March 31, 2005, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards, issued by the Comptroller General. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 2, the Village of Daggett prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Michigan, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As described more fully in Note 2, the Village has not maintained a record of its general fixed assets and, accordingly, the General Fixed Assets Account Group is not included in this report, as required by generally accepted accounting principles.

Management has not presented government-wide statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America requires the presentation of government-wide financial statements. The statements for the Village's governmental activities, business-type activities, and discretely presented component units are not reasonably determinable.

In my opinion, except for the effects of the omission of the general fixed assets and government-wide financial statements, as

May 19, 2005

VILLAGE OF DAGGETT
INDEPENDENT AUDITOR'S REPORT (Continued)

discussed in the above paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, only the cash and unencumbered cash balances of each of the Village's fund types at March 31, 2005, and revenues received and the expenditures paid of such fund types as discussed in the third paragraph, in conformity with accounting principles generally accepted in the United States of America.

I conducted my audit for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary data are presented for the purpose of additional analysis and are not a required part of the financial statements of the Village of Daggett, Michigan. Such information has been subjected to the auditing procedures applied in the examination of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Ray L. Payment
Certified Public Accountant

VILLAGE OF DAGGETT
COMBINED BALANCE SHEET - CASH BASIS
ALL FUND TYPES AND ACCOUNT GROUPS
MARCH 31, 2005

	<u>Governmental</u>	<u>Fund Type</u>	<u>Proprietary</u>
	<u>General</u>	<u>Special</u>	<u>Fund Type</u>
		<u>Revenue</u>	<u>Enterprise</u>
ASSETS:			
Cash and Interest-			
Bearing Deposits (Note 3)	\$ 34 151	\$ 129 353	\$ 252 144
TOTAL ASSETS	\$ 34 151	\$ 129 353	\$ 252 144
	<hr/>	<hr/>	<hr/>
FUND EQUITY:			
Retained Earnings	\$ -	\$ -	\$ 252 144
Fund Balance	34 151	129 353	-
TOTAL FUND EQUITY	\$ 34 151	\$ 129 353	\$ 252 144
	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements.

VILLAGE OF DAGGETT
 COMBINED STATEMENT OF CASH RECEIPTS
 DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
 ALL GOVERNMENTAL FUND TYPES
 YEAR ENDED MARCH 31, 2005

	<u>Governmental Fund Type</u>	
	<u>General</u>	<u>Special Revenue</u>
CASH RECEIPTS:		
Property taxes	\$ 6 144	\$ -
Collection fees	65	-
Interest income	351	1 780
State revenue sharing	23 754	39 176
Wage, misc. & equipment reimbursements	38 418	-
Rents	900	-
	<hr/>	<hr/>
TOTAL CASH RECEIPTS	69 632	40 956
CASH DISBURSEMENTS:		
General Government:		
Maintenance wages and benefits	34 924	-
Clerk	2 215	-
President	1 200	-
Trustees	2 330	-
Treasurer	2 915	-
Supplies	6 474	633
Repairs	2 387	-
Professional fees	1 314	-
Community promotion and dues	3 356	-
Utilities and fuel	6 791	-
Insurance	7 838	-
Elections	24	-
Taxes	1 789	-
Highways and roads	-	34 839
Sanitation	5 627	-
	<hr/>	<hr/>
TOTAL CASH DISBURSEMENTS	79 184	35 472
EXCESS OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	(9 552)	5 484
FUND BALANCE, April 1, 2004	<hr/> 43 703	<hr/> 123 869
FUND BALANCE, March 31, 2005	<hr/> \$ 34 151	<hr/> \$ 129 353

See accompanying notes to financial statements.

VILLAGE OF DAGGETT
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CASH BASIS
GENERAL AND SPECIAL REVENUE FUNDS
MARCH 31, 2005

	General Fund		
	Actual Amount	Budget Amount	Variance Favorable (Unfavorable)
CASH RECEIPTS:			
Property taxes & collection fees	\$ 6 209	\$ 6 600	\$ (391)
Wage & equipment reimbursement	38 418	36 889	1 529
State revenue sharing	23 754	18 208	5 546
Interest	351	106	245
Rents	900	-	900
TOTAL RECEIPTS	69 632	61 803	7 829
CASH DISBURSEMENTS:			
General Government:			
Maintenance wages & benefits	34 924	37 200	2 276
Clerk	2 215	2 400	185
President	1 200	1 200	-
Trustees	2 330	2 320	(10)
Treasurer	2 915	3 190	275
Supplies and repairs	8 861	10 000	1 139
Professional services	1 314	1 050	(264)
Community promotion and dues	3 356	1 930	(1 426)
Utilities and fuel	6 791	6 500	(291)
Insurance	7 838	5 000	(2 838)
Elections	24	-	(24)
Taxes	1 789	-	(1 789)
Highways and roads	-	-	-
Sanitation	5 627	5 800	173
Capital outlay	-	-	-
TOTAL DISBURSEMENTS	79 184	76 590	(2 594)
EXCESS OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	(9 552)	(14 787)	5 235
FUND BALANCE, April 1, 2004	43 703	43 703	-
FUND BALANCE, March 31, 2005	\$ 34 151	\$ 28 916	\$ 5 235

See accompanying notes to financial statements.

Special Revenue Funds		
Actual Amount	Budget Amount	Variance Favorable (unfavorable)
\$ -	\$ -	\$ -
-	-	-
39 176	40 133	(957)
1 780	242	1 538
-	-	-
40 956	40 375	581
-	-	-
-	-	-
-	-	-
-	-	-
633	633	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
34 839	35 719	880
-	-	-
-	-	-
35 472	36 352	880
5 484	4 023	1 461
123 869	123 869	-
\$ 129 353	\$ 127 892	\$ 1 461

VILLAGE OF DAGGETT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND (ELECTRIC FUND)
YEAR ENDED MARCH 31, 2005

Income - Electrical service charges (net of sales tax)	\$ 99 323
Reimbursements and miscellaneous	<u>869</u>
Total operating income	<u>100 192</u>
Operating expenses:	
Electrical power purchased	81 519
Electrical supplies and repairs	19 685
Insurance	1 710
Office supplies	357
Professional services	<u>450</u>
Total operating expenses	<u>103 721</u>
Net operating income (loss)	(3 529)
Non-operating income:	
Interest and gains on investments	<u>3 053</u>
Net income (loss)	(476)
Retained earnings, April 1, 2004	<u>252 620</u>
Retained earnings, March 31, 2005	<u>\$252 144</u>

VILLAGE OF DAGGETT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (ELECTRIC FUND)
YEAR ENDED MARCH 31, 2005

Cash Flows From Operating Activities:	
Net income (loss)	<u>\$ (476)</u>
Net decrease in cash	(476)
Cash at April 1, 2004	<u>252 620</u>
Cash at March 31, 2005	<u>\$ 252 144</u>

VILLAGE OF DAGGETT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - REPORTING ENTITY

The Village of Daggett is located in Menominee County and provides services to its residents in many areas including community enrichment and development, and human services. In accordance with the provisions of NCGA Statement 3, certain other governmental organizations are not considered to be part of the Village entity for financial reporting purposes. The criteria established by the NCGA for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Village. Educational services are provided through the Stephenson Area School system which is a separate governmental entity and, therefore, not presented in the financial statements included herein.

BASIS OF PRESENTATION

The financial activities of the Village are recorded in separate funds, categorized as follows:

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial transactions except those provided for in another fund. The Fund includes the general operating expenditures of the Village. Revenues are primarily derived from property taxes, State grants and other intergovernmental revenues.

SPECIAL REVENUE FUNDS

Major Street, Local Street and Landfill Closure Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

VILLAGE OF DAGGETT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005
(Continued)

Proprietary Fund Types

Enterprise Funds

Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Daggett do not conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

Basis of Accounting

Governmental Funds

The accounting policies of the Village of Daggett do not conform to generally accepted accounting principles as applicable to governmental units in that the cash basis of accounting is utilized by the governmental fund rather than the modified accrual basis of accounting. Consequently, certain revenue and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

Fixed Assets

The accounting policies of the Village of Daggett as they relate to fixed assets are not in accordance with generally accepted accounting principles in that the general fixed assets are not recorded.

Property Taxes

The Village's 2004 ad valorem tax was levied and collectible on December 1, 2004. It is the Village's policy to recognize revenues from the current tax levy in the current year

VILLAGE OF DAGGETT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005
(Continued)

when the proceeds on this levy are budgeted and made available for the financing of Village operations. Payment from the county which purchases the 2005 delinquent taxes will be recognized as revenue when received in cash.

See schedule on page 16 for levy breakdown and millage rates.

NOTE 3 - CASH AND INTEREST-BEARING DEPOSITS

Deposits are carried at cost. Deposits of the Village are in one bank in the name of the Village of Daggett Treasurer. Michigan Compiled Laws, Section 124.91 authorized the Village Treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the Government National Mortgage Association; United States Government or Federal Agency obligation repurchase agreement; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rates by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority.

Governmental Accounting Standards Board (GASB) Statement 3 risk disclosure for the Village's cash deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Not insured	\$ 115 648
Insured	<u>\$ 300 000</u>
TOTAL DEPOSITS	<u>\$ 415 648</u>

VILLAGE OF DAGGETT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005
(Continued)

NOTE 4 - BUDGETS AND BUDGETARY ACCOUNTING

As set forth in the Village Charter, the Village adopts an annual budget for the General Fund and Special Revenue Funds. The annual budgets are prepared in accordance with the basis of accounting utilized by those funds (cash basis). Subsequent to year-end, the board adopts an amended budget approving any transfers among departments or additional expenditures. The budget amounts are presented on page 7. All appropriations lapse at fiscal year-end.

NOTE 5 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 6 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Village purchases insurance coverage through a carrier. This plan purchases reinsurance for all risks. The Village's expense is to pay only the annual premium. In addition, the Village purchases worker's compensation insurance.

VILLAGE OF DAGGETT
COMBINING BALANCE SHEET - CASH BASIS
SPECIAL REVENUE FUNDS
MARCH 31, 2005

	Major Street Fund	Local Street Fund	Landfill Closure Fund	Liquor Fund
ASSETS:				
Cash	\$ 67 787	\$ 58 186	\$ 3 380	\$ -
TOTAL ASSETS	\$ 67 787	\$ 58 186	\$ 3 380	\$ -
FUND BALANCE	\$ 67 787	\$ 58 186	\$ 3 380	\$ -

VILLAGE OF DAGGETT
 COMBINING STATEMENT OF CASH RECEIPTS
 DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS
 ALL SPECIAL REVENUE FUNDS
 YEAR ENDED MARCH 31, 2005

	Major Street Fund	Local Street Fund	Landfill Closure Fund	Liquor Fund
CASH RECEIPTS:				
State shared revenue	\$ 31 244	\$ 7 299	\$ -	\$ 633
Interest income	<u>993</u>	<u>787</u>	<u>-</u>	<u>-</u>
TOTAL CASH RECEIPTS	<u>32 237</u>	<u>8 086</u>	<u>-</u>	<u>633</u>
CASH DISBURSEMENTS:				
Street and road maintenance	31 310	3 529	-	-
Liquor law enforcement	<u>-</u>	<u>-</u>	<u>-</u>	<u>633</u>
TOTAL CASH DISBURSEMENTS	<u>31 310</u>	<u>3 529</u>	<u>-</u>	<u>633</u>
EXCESS OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	927	4 557	-	-
FUND BALANCE, April 1, 2004	<u>66 860</u>	<u>53 629</u>	<u>3 380</u>	<u>-</u>
FUND BALANCE, March 31, 2005	<u>\$ 67 787</u>	<u>\$ 58 186</u>	<u>\$ 3 380</u>	<u>\$ -</u>

TOWNSHIP OF DAGGETT
SCHEDULE OF ASSESSED VALUATION TAX RATES AND LEVIES
YEAR ENDED MARCH 31, 2005

	<u>Village of Daggett General Fund</u>
Taxable valuation	\$ 2 626 999
Millage rate	<u>2.50</u>
Tax Levy	6 567
Taxes returned delinquent	<u>805</u>
Current tax collection	<u>\$ 5 762</u>

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May 19, 2005

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
"GOVERNMENT AUDITING STANDARDS"

Village of Daggett Board
Village of Daggett
Daggett, Michigan

I have audited the general purpose financial statements of the Village of Daggett as of and for the year ended March 31, 2005, and have issued my report thereon dated May 19, 2005. I conducted my audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Daggett's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit I considered the Village of Daggett's internal control over financial reporting in order to determine my audit procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matter in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce

May 19, 2005

to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Village Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Ray L. Payment", is written over the printed name.

Ray L. Payment
Certified Public Accountant